

**House Study Bill 35 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON COMMERCE BILL BY  
CHAIRPERSON LUNDGREN)

**A BILL FOR**

1 An Act relating to matters under the purview of the credit  
2 union division of the department of commerce.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 12C.16, subsection 1, paragraph b,  
2 subparagraph (1), unnumbered paragraph 1, Code 2023, is amended  
3 to read as follows:

4 The credit union may deposit, maintain, pledge and assign  
5 for the benefit of the public officer in the manner provided  
6 in this chapter, securities approved by the public officer,  
7 the market value of which is not less than ~~one hundred ten one~~  
8 hundred percent of the total deposits of public funds placed  
9 by that public officer in the credit union, less the amount  
10 of deposits that are federally insured. The securities shall  
11 consist of any of the following:

12 Sec. 2. Section 12C.16, subsection 1, paragraph b,  
13 subparagraph (1), subparagraph division (d), Code 2023, is  
14 amended to read as follows:

15 (d) ~~To the extent of the guarantee, loans, obligations, or~~  
16 ~~nontransferable~~ Nontransferable letters of credit upon which  
17 the payment of principal and interest is fully secured or  
18 guaranteed by the United States of America, ~~or~~ an agency or  
19 instrumentality of the United States of America, ~~a corporate~~  
20 ~~central credit union organized under section 533.213~~ the  
21 national cooperative bank, the federal home loan bank, or a  
22 any corporate credit union whose activities are subject to  
23 regulation by the national credit union administration, and the  
24 rating of any one of such credit unions remains within the two  
25 highest classifications of prime established by at least one  
26 of the standard rating services approved by the superintendent  
27 of banking by rule pursuant to chapter 17A and whose capital  
28 level remains well-capitalized pursuant to 12 C.F.R. pt. 704,  
29 or any other entity approved by the treasurer of state. The  
30 treasurer of state ~~shall~~ may adopt rules pursuant to chapter  
31 17A to implement this section.

32 Sec. 3. Section 533.205, subsection 8, Code 2023, is amended  
33 to read as follows:

34 8. ~~A credit union director shall not receive compensation~~  
35 ~~for service as a director. However, a director may be~~

1 ~~reimbursed~~ Subject to its bylaws, a credit union may provide  
2 compensation to directors for their service and reimburse  
3 directors for reasonable expenses directly related to such  
4 service.

5 Sec. 4. Section 533.206, Code 2023, is amended to read as  
6 follows:

7 **533.206 Meetings of the board.**

8 1. The board of directors shall hold at least six regular  
9 board meetings each calendar year. No more than one regular  
10 meeting shall be held in any one calendar month, nor shall  
11 a credit union go longer than two consecutive months without  
12 holding a board meeting. If a credit union has an individual  
13 rating of a four or five, or a composite rating of three, four,  
14 or five under the Iowa regulatory risk rating system, the board  
15 shall meet monthly.

16 2. With respect to a newly chartered credit union, the board  
17 of directors shall meet not less frequently than monthly during  
18 each of the first five years of the credit union's existence.

19 3. Unless the bylaws provide otherwise, the board of  
20 directors may permit any and all directors to participate in  
21 all except one meeting per year of the board of directors  
22 through the use of any means of communication by which all  
23 directors participating in the meeting may simultaneously hear  
24 each other and communicate during the meeting. A director  
25 participating in a meeting by this means is deemed to be  
26 present at the meeting.

27 Sec. 5. Section 533.210, subsections 1 and 2, Code 2023, are  
28 amended to read as follows:

29 1. The board of directors may expel ~~any~~ a member of a state  
30 credit union who has ~~failed to do either~~ engaged in any of the  
31 following:

32 a. ~~Carry~~ Failing to carry out the member's obligations to  
33 the state credit union.

34 b. ~~Comply~~ Failing to comply with the state credit union's  
35 bylaws or policies.

1 c. Being physically or verbally abusive to credit union  
2 members or staff.

3 d. Committing fraud, attempted fraud, or other illegal  
4 conduct that a member has been convicted of in relation to the  
5 credit union.

6 2. A member of a state credit union may be expelled by a  
7 majority vote of the board of directors at a regular or special  
8 meeting of the board.

9 a. An expelled member may request a hearing before the  
10 ~~membership of the state credit union~~ superintendent, which  
11 shall be held within ~~sixty~~ ninety days of an expelled member's  
12 request.

13 b. At the hearing, the ~~membership~~ superintendent may  
14 reinstate the expelled member ~~by majority vote, upon terms and~~  
15 ~~conditions prescribed at the hearing~~ if the credit union fails  
16 to prove the member was noncompliant with the obligations in  
17 this section.

18 Sec. 6. Section 533.304, subsection 2, Code 2023, is amended  
19 to read as follows:

20 2. A state credit union may invest in ~~either~~ any of the  
21 following to the extent that the total investments under this  
22 section shall not be more than five percent of the state credit  
23 union's assets:

24 a. Shares or equity interests in venture capital funds that  
25 agree to invest an amount equal to at least fifty percent of  
26 the state credit union's investment in small businesses having  
27 their principal offices within this state and having either  
28 more than one-half of their assets within this state or more  
29 than one-half of their employees employed within this state.

30 b. Shares or equity interests in small businesses having  
31 their principal offices within this state and having either  
32 more than one-half of their assets within this state or more  
33 than one-half of their employees employed within this state. A  
34 state credit union shall not invest in more than twenty percent  
35 of the total capital and surplus of any one small business

1 under this paragraph.

2 c. Any other investment instrument as authorized by the  
3 superintendent.

4 EXPLANATION

5 The inclusion of this explanation does not constitute agreement with  
6 the explanation's substance by the members of the general assembly.

7 This bill relates to matters under the purview of the credit  
8 union division of the department of commerce.

9 The bill modifies the amount of securities that a credit  
10 union may manage for the benefit of a public officer from 110  
11 percent to 100 percent of the total deposits of public funds,  
12 less the amount of deposits that are federally insured.

13 The bill provides that a public officer shall obtain  
14 security for a deposit in excess of the amount federally  
15 insured by acquiring a nontransferable letter of credit  
16 from the United States, an agency or instrumentality of the  
17 United States, a national cooperative bank, federal home loan  
18 bank, any corporate credit union whose capital level remains  
19 well-capitalized, or any other entity approved by the treasurer  
20 of the state.

21 The bill modifies language to allow a credit union director  
22 compensation subject to the bylaws of a credit union. Current  
23 law does not allow compensation to a credit union director for  
24 service.

25 The bill requires credit union boards to hold regular  
26 meetings. A credit union with an individual rating of a four  
27 or five, or a composite rating of three, four, or five under  
28 the Iowa regulatory risk rating system is required to meet  
29 monthly. A new credit union is required to meet monthly for  
30 the first five years.

31 The bill expands activity that may constitute expulsion from  
32 a credit union to include failing to participate in the affairs  
33 of the credit union, being physically abusive to a credit union  
34 member or staff, being verbally abusive to a credit union  
35 member or staff, or committing fraud, attempted fraud, or other

1 illegal conduct resulting in a conviction in relation to the  
2 credit union.

3     The bill modifies the expulsion hearing procedure. A member  
4 may request a hearing before the credit union superintendent,  
5 which shall occur 90 days after the member's request. The  
6 superintendent of credit unions may reinstate the expelled  
7 member if the credit union fails to prove the member was  
8 noncompliant with the requirements of Code section 533.205.  
9 Current law provides that the membership of a credit union may  
10 reinstate an expelled member by majority vote upon the terms  
11 and conditions prescribed at the hearing.

12     The bill provides that a credit union may invest in  
13 investment instruments as authorized by the superintendent.